

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**SPECIAL SESSION
March 2, 2006**

The Board of Supervisors of Maricopa County, Arizona convened at 2:00 p.m., March 2, 2006, in the Board of Supervisors' Auditorium, 205 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman, District 2; Fulton Brock, Vice Chairman, District 1 (via telephone); Andy Kunasek, District 3, Max W. Wilson, District 4, and Mary Rose Wilcox, District 5. Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Manager; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: aye-no-absent-abstain.

SCHOOL DISTRICT #509 UPDATE

Item: Update on the February 1, 2006, Board of Supervisors resolution regarding the Maricopa County Regional School District #509. The County Manager will provide an overview which will include reports from Internal Audit, Office of Management and Budget, and Legal Counsel. (ADM3814-005)

David Smith, County Manager
Ross Tate, Internal Auditor
Brian Hushek, Deputy Budget Director
Tom Irvine, Outside Counsel
Dean Wolcott, Outside Counsel
Fred Rosenfeld, Outside Counsel
Chris Keller, Chief, Civil Division, County Attorney's Office

David Smith reported that a Special Emergency Session of the Board of Supervisors would be called to deal with an item that involves the cash operating deficit that has recently been discovered at the Maricopa County Regional School District #509. This deficit has accumulated over recent years and totals more than \$4 million. He said that discussion had been ongoing and culminated today in an updated resolution for the Board to consider. He asked Sandi Wilson, Deputy County Manager, to discuss the history of the issue as well as budget processes that are projected in the future.

Ms. Wilson said that a large cash deficit had occurred in the Regional District School budget from fiscal year 2000 to the current fiscal year. The deficit was approximately \$.5 million in 2000 and grew to approximately \$3.7 million when the 2005 fiscal year ended on June 30, 2005. She reported on the District's allocated expenses now and what this is expected to be at the end of 2006. The County's 2005-06 adopted budget allocated \$530,000, which is the normal amount the County allocates to the District each year. An additional \$450,000 has now been allocated, of which \$304,291 had been transferred through March 1, 2006. The year-end estimate is an additional \$891,000. This situation is being closely monitored. As yet, no allocations have been made to cover the \$3.7 million accumulated debt.

The District's Chart Of Accounts lists 82 different funds with multiple vendors. Ms. Wilson explained that some consolidation will be done to increase efficiency and lower cash outlay. Consolidation with County contractors could include cell phone and telephone service, fleet management and the procurement process. A line-item budget control will be introduced for 2006-07 budget balancing and some of this has already begun. Items that will be studied include pre-approval for purchase requisitions; pre-approval for travel and training and for supplies, services and capital purchases over \$1,000. Justification for take-home cars; inventory of credit cards and gas cards; will go through an internal service review. She said that the goal is to find every opportunity for cost efficiency. She explained that management will need to study prior and current year budget information for both expenditures and revenue in the expectation of incorporating the District's finances into the County's system. The line-item review will be done by fund and by organization in reviewing the budget for the Regional Schools. Ms. Wilson said that most County departments have already submitted their budget and these are currently under review. It is expected

**SPECIAL SESSION
March 2, 2006**

that the Regional School budget will be integrated and ready for review by the Board by May 15 with a presentation of the final budget on May 17.

CONSIDERATION AND POSSIBLE ACTION CONCERNING PROPOSED RESOLUTIONS A & B

Chairman Stapley asked Tom Irvine to explain the resolutions and related documents before the Board. Mr. Irvine said that discussions held earlier today have resulted in an agreement being reached with Superintendent of Schools Sandra Dowling that would be the subject of an Emergency Meeting of the Board of Supervisors. This agreement is the Assistance Package Agreement and covers the following: (ADM3814)

- Section 1: County Services Accepted
- Section 2: District Office Consolidation
- Section 3: Request for Information
- Section 4: Audits
- Section 5: Miscellaneous
- Section 6: Next Fiscal Year
- Section 7: Interim Actions

Mr. Irvine said that the assumption is that within the next week these concepts will become a full-fledged agreement between Dr. Dowling and Maricopa County. He added, "If there is no full-fledged agreement within the next week the Board is expected to again consider the alternative resolution being considered today." March 15th is a key date in that it is the date when "certain state education law requirements concerning next year's teacher contracts, etc., take effect. We recommend that this Board would meet and act prior to March 15th." He added, "The final section of Section 7 states that between the date of this Agreement and March 15th the District will not do anything to bind the County for services for the next fiscal year."

Mr. Irvine gave a further explanation of the actions needed today. He said there will be two items before the Board, one would be under Agenda item #4 and under that item a motion would be in order to adopt Section 3c of Resolution A or section 3 of the Assistance Package Agreement – both sections being identical – to direct Mr. Smith to put forward the Request for Information (RFI) to go into the community to find if there are alternative providers of service for these schools. The second action (to be considered in the Emergency Meeting) is for the Board to accept the Assistance Package Agreement negotiated earlier today. This directs staff to complete work on a Comprehensive Contract Agreement and bring it before the Board on or before March 13.

Chairman Stapley thanked Dr. Sandra Dowling for coming to meet with them and said the Board appreciates her "sincere efforts to resolve this and to work with them."

PRESENTATION FROM DR. SANDRA DOWLING REGARDING MARICOPA COUNTY REGIONAL SCHOOL DISTRICT #509 FISCAL STATUS

Dr. Sandra Dowling, Maricopa County Superintendent of Schools

Superintendent Dowling thanked the Board for meeting with her prior to this public meeting to find an agreement that would be for the benefit of the school children. She added, "I think that this agreement is going to do just that. I think it shows a collaborative effort on the part of the Board and on the part of the

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**SPECIAL SESSION
March 2, 2006**

County School Superintendent's Office and staff." She hoped that this effort might be a model for the rest of the State of Arizona to use, if necessary. She said, "Very few County School Superintendents have a written agreement such as this one." (ADM3814)

Chairman Stapley asked when she would hold an emergency meeting of the Accommodation School Board to approve this Agreement. She replied, "Our meeting is scheduled for three o'clock tomorrow afternoon."

Chairman Stapley said, "You've signed this already and your intention is to ratify it tomorrow."

Dr. Dowling replied, "Our intention is to ratify it at three o'clock tomorrow."

Supervisor Wilson commented, "There was no question that the children are involved and that's the reason for the system to start with. But the public is also involved in this because we're spending public money. So I think we have a responsibility both ways and I think with this Agreement we can do just that. Prior to that Agreement we were operating on two different bases. We didn't want to be the 'mean guys' we want to be the 'accountable people.'" He added that County staff assisted the Board in many ways to give them adequate information in order to make decisions. He assured Dr. Dowling that County staff's intentions are to assist her in making better decisions for a beneficial result.

PRESENTATION AND POSSIBLE ACTION REGARDING ALTERNATIVE RESOLUTIONS A & B

Item: Presentation and possible action for Board of Supervisors consideration of Alternative Resolutions A & B concerning the Maricopa County Regional School District #509. (ADM3814-002)

David Smith, County Manager
Tom Irvine, Outside Counsel

Tom Irvine reviewed the action requested. Discussion ensued on the proposal to adopt section 3C of Resolution A or section 3 of the Assistance Agreement, the effect of either would authorize the Request for Information (RFI) to be sent to competent outside educational entities inviting them to submit information on their ability to provide some or all of the services now being provided by the District Schools. Mr. Irvine added that if no one else is found to provide these services, it would prove the worth of the District Schools as the "sole source" to the Board and to the public.

In response to a question from Supervisor Wilcox about contracting with Bob Donofrio for his expertise in education and finance, David Smith said that Mr. Donofrio has sub-contracted with Tom Irvine and is available to work on this issue. Tom Irvine added that Bob Donofrio, a retired superintendent of a Phoenix school district and now working at Arizona State University, is available as a consultant and could be on the evaluation panel and assist in many other ways.

Supervisor Wilcox said it was important to obtain this kind of expertise since the County is not traditionally in the business of running schools and Mr. Donofrio would fill a needed check and balance between the County and the Accommodation Schools.

At the request of Supervisor Wilcox, Tom Irvine read the following:

**SPECIAL SESSION
March 2, 2006**

Section 3 of the Assistance Package Agreement

- 3.1: The parties agree in order to determine if there is a better and less expensive way of providing district services, the County will immediately issue a Request For Information (RFI) to school districts, charter schools and other qualified entities asking which services, if any, of the District they can provide and at what cost. The Request for Information shall be due as soon as practicable. Services can include any function of the district to the extent allowed by state law. The County will use the RFI responses in determining what expenses are necessary for the next fiscal year.
- 3.2: One of the considerations in considering responses shall be whether or not the responder seeks any subsidy from Maricopa County in order to provide the services or functions.

Motion was made by Supervisor Wilson, seconded by Supervisor Wilcox, and unanimously carried (5-0), with Supervisor Brock voting by phone, that the County Manager be directed to go forward with the Request for Information as set forth in Section 3 of the Assistance Package Agreement.

MEETING ADJOURNED

There being no further business to come before the Board in Special Session, Chairman Stapley recessed the meeting to the Special Emergency Session, following which the meeting was adjourned.

Don Stapley, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board